

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

**PUBLIC UTILITIES COMMISSION**

IN RE: NARRAGANSETT ELECTRIC COMPANY :  
STANDARD OFFER SERVICE RATE AND :  
STANDARD OFFER ADJUSTMENT FACTOR: DOCKET NO. 3138

REPORT AND ORDER

Background

The Utility Restructuring Act of 1996 (“URA”) requires each electric distribution company to arrange with wholesale power suppliers for a standard power supply offer to sell electricity to all customers at a stipulated rate. Pursuant to the URA, Narragansett Electric Company (“Narragansett”) entered into wholesale Standard Offer supply contracts with the following prices:

<u>Calendar Year</u>	<u>Price per kWh</u>
1998	3.2 cents
1999	3.5 cents
2000	3.8 cents
2001	3.8 cents

The wholesale Standard Offer supply contracts also provide for increases in the price per kilowatt-hour (“kWh”) of wholesale power supplied to Narragansett in the event fuel prices increase above certain levels. To the extent that the total cost of the wholesale power supply to Narragansett, including fuel charges, exceeds retail Standard Offer (“SOS”) and Last Resort Service (“LRS”) revenues, the under-collection is recoverable from Narragansett’s customers through the annual

reconciliation provisions of the Company's Standard Offer Adjustment Provision.

I. NARRAGANSETT'S JULY 28, 2000 FILING

On July 28, 2000, Narragansett filed with the Commission a request to increase the retail Standard Offer Service ("SOS") Rate to 4.5 cents per kWh, to become effective on September 1, 2000, constituting an increase of .4 cents over the present retail SOS Rate of 4.1 cents which had been implemented pursuant to Order No. 16305, issued June 30, 2000.

In support of the proposed rate increase, Narragansett presented the prefiled testimony of Michael J. Hager, Standard Offer Portfolio Manager from National Grid USA Service Company. Mr. Hager testified that the .4 cents increase in the retail SOS Rate was needed to offset additional fuel costs being billed to Narragansett under its wholesale Standard Offer power supply contracts.<sup>1</sup> He stated that Narragansett "has made additional payments...to its suppliers totaling \$9,774,068 through July 2000."<sup>2</sup> Narragansett estimated that additional payments in the amount of \$121 million would be made as a result of the fuel adjustment provision in its contracts under a "High Price Scenario" for oil and gas prices.<sup>3</sup>

collection of \$112,088,687 by September 2001.<sup>4</sup> Finally, Mr. Hager emphasized that the proposed SOS rate increase of .4 cents would reduce the estimated under-collection from \$112 million to \$85 million by September 2001.<sup>5</sup>

A public hearing was held at the Commission's offices, 100 Orange Street, Providence, on August 29, 2000. The following appearances were entered:

FOR NARRAGANSETT:	Ronald T. Gerwatowski, Esq.
FOR THE DIVISION:	Paul J. Roberti, Esq. Assistant Attorney General
FOR THE COMMISSION:	Steven Frias, Esq. Senior Legal Counsel

At the hearing, the Commission heard public comments. Paul Barrett, representing New Energy Ventures, stated that the SOS Rate in Rhode Island is below market price, and serves as a roadblock to competition in the electricity marketplace.<sup>6</sup> He urged the Commission to raise the SOS Rate as close to the market price as possible so as to encourage competition.<sup>7</sup> Mr. Barrett argued against setting an artificially low SOS Rate because a large revenue under-collection would

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<sup>4</sup> Ibid., Exhibit MJH-6, page 3 of 4.

<sup>5</sup> Ibid., p. 9. The under-collection is a projected amount through August 2001 using a 'high price' assumption for fuel.

<sup>6</sup> Tr. 8/29/00, p. 15.

<sup>7</sup> Ibid., pp. 17-18.

accumulate.<sup>8</sup> Mr. Barrett insisted that in the long run, competition would lower prices more effectively than setting a below-market subsidized SOS Rate.<sup>9</sup> Mr. Barrett noted another barrier to competition is that the URA does not allow for cities and towns to aggregate the commercial and residential customers in their communities.<sup>10</sup>

Mr. Hager testified that 90 percent of Narragansett's retail customers are currently taking Standard Offer Service.<sup>11</sup> Narragansett receives interest at the rate of 5.26 percent on the SOS under-collection; how and from whom the under-collection will be recovered is left to the discretion of the Commission pursuant to the SOAP.<sup>12</sup> Mr. Hager acknowledged that customers could leave SOS to avoid the cost of paying the under-collection.<sup>13</sup> Counsel for Narragansett noted that the wholesale standard offer power supply agreements are long term contracts which cannot be unilaterally terminated by Narragansett, and that under these contracts, wholesale power is supplied to Narragansett

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<sup>8</sup> Ibid., p. 17.

<sup>9</sup> Ibid., p. 19.

<sup>10</sup> Ibid., p. 24.

<sup>11</sup> Ibid., p. 82.

<sup>12</sup> Ibid., p. 68-69, 82-83.

<sup>13</sup> Ibid., p. 83.

at rates below the current energy market price of five to six cents per kWh.<sup>14</sup>

At the hearing, the Division of Public Utilities and Carriers (“Division”) presented Stephen Scialabba, its Chief Accountant. Mr. Scialabba concurred with Narragansett’s proposal to increase the SOS Rate to 4.5 cents.<sup>15</sup> He noted that while this rate increase would more closely match Narragansett’s cost of providing SOS, the increase does not address recovery of the deferred balance of the SOS under-collection.<sup>16</sup> He testified that, in the near future, the Division in concert with Narragansett, intends to establish a factor to address this deferred balance and an SOS Rate that will recover current SOS costs on a longer term basis.<sup>17</sup>

During the hearing, the Commission expressed concern that the proposed .4 cent increase in the SOS Rate from 4.1 cents to 4.5 cents would be insufficient to recover both the accumulated balance of the SOS revenue under-collection and the current SOS costs on a going-forward basis, resulting in an ever-increasing cost deferral (or revenue under-collection).<sup>18</sup>

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<sup>14</sup> Ibid., p. 86, 89-90.

<sup>15</sup> Ibid., p. 112.

<sup>16</sup> Ibid., p. 112-113.

<sup>17</sup> Ibid., p. 113.

<sup>18</sup> Ibid., pp. 163, 166.

In response to the Commission's concern, on August 31, 2000, Narragansett filed a Fuel Cost Recovery Plan that would increase the price of the SOS Rate to recover current SOS costs as well as establish a factor to recover the accumulated balance of the SOS under-collection. Under the Plan, Narragansett proposed to increase the SOS Rate to 5.401 cents per kWh for the period October 1, 2000 through March 1, 2001, in order to match the Standard Offer price to the current cost of SOS expected for the six-month period. Also, Narragansett proposed to implement a new Standard Offer Adjustment Factor ("SOAF") of 0.232 cents per kWh for the period October 1, 2000 through September 30, 2001, to recover the deferred under-collection balance that has accumulated from providing SOS and LRS at prices below cost.

At an open meeting on September 1, 2000, the Commission approved Narragansett's proposal to increase the SOS Rate to 4.5 cents per kWh, effective September 1, 2000, noting that the Company would shortly be filing testimony in connection with the Fuel Cost Recovery Plan filing of August 31<sup>st</sup>.

I. NARRAGANSETT'S SEPTEMBER 15, 2000 FILING

On September 15, 2000, the Company filed testimony in support of the Fuel Cost Recovery Plan filed on August 31, 2000 ("Plan"), including the prefiled testimony of Michael J. Hager and Peter T. Zschokke, the Vice President and Director of Distribution Financial Analysis for National Grid USA. Mr. Zschokke explained that Narragansett was

proposing two changes under the Plan: an increase in the SOS Rate on October 1 for all customers to 5.401 cents per kWh,<sup>19</sup> and the establishment of a SOAF of 0.232 cents per kWh.<sup>20</sup> Narragansett provided an alternative implementation date of November 1, 2000 for the SOS Rate and the SOAF,<sup>21</sup> as well as the alternative of charging the SOAF only to SOS and LRS customers.<sup>22</sup> Mr. Zschokke noted that through the end of September, the under-collection of approximately \$16 million was composed of \$13.7 million attributed to the SOS, and \$2.4 million attributed to the LRS.<sup>23</sup> Mr. Zschokke recommended that this deferred amount be charged to all customers to avoid the possibility of a migration of customers from SOS and LRS to avoid the charge, which would result in higher charge for customers remaining on these services.<sup>24</sup> Narragansett's recommendation is that the SOAF be treated as a "transition cost to be borne by all" as the electricity market undergoes restructuring.<sup>25</sup> Mr. Zschokke noted that failing to charge this new factor to all customers "rewards a small number of customers

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<sup>19</sup> Narragansett Ex. 5: Zschokke Testimony, p. 3.

<sup>20</sup> Ibid., pp. 3-4.

<sup>21</sup> Ibid., pp. 4-5.

<sup>22</sup> Id.

<sup>23</sup> Ibid., pp. 5-6.

<sup>24</sup> Ibid., pp. 6-7.

<sup>25</sup> Ibid., pp. 9-10.

who possessed specific load characteristics which provided them the opportunity to go to a supplier under a long term contract in the past two years.”<sup>26</sup>

Mr. Zschokke testified that Narragansett had developed the proposed SOS Rate based on a six-month average cost estimate. He explained that the Company did not use a three-month average because the SOS rate would have to be increased dramatically in January 2001 in order to pay for the estimated high fuel costs for the months of January through March 2001.<sup>27</sup> He also noted that a stable price for a longer period of time is preferred by competitive suppliers, and helps customers budget their energy costs.<sup>28</sup> The Company’s proposal will increase the typical 500 kWh residential customer’s monthly bill by \$5.91.<sup>29</sup>

Mr. Hager’s prefiled testimony explained Narragansett’s standard offer power supply contracts. Narragansett has wholesale power supply contracts through December 31, 2009, with USGen New England, TransCanada Power Marketing and its affiliate, New England Power Company (“NEP”), to serve the load in the pre-merger service territory (“Narragansett Zone”). Narragansett also has wholesale power supply contracts through December 31, 2009, with TransCanada, Constellation

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<sup>26</sup> Ibid., p. 10.

<sup>27</sup> Ibid., pp. 15-16.

<sup>28</sup> Ibid., pp. 16, 18.

<sup>29</sup> Ibid., p. 21.



Power Service and NRG Power Marketing to serve the load in the service territories of the former Blackstone Valley Electric Company and Newport Electric Company (“EUA Zone”).<sup>30</sup> These long-term contracts contain provisions that require additional payments to the power suppliers in the event of substantial increases in the market price of fuel oil and natural gas.<sup>31</sup> Mr. Hager also emphasized that Narragansett cannot unilaterally terminate these long-term contracts.<sup>32</sup> However, the Company has been involved in discussions with the Division and its affiliated supplier, NEP, as to whether Narragansett can exercise the option of obtaining electric power from non-affiliated suppliers at a more attractive price.<sup>33</sup> Finally, Mr. Hager reported that in power supply bids recently received by Massachusetts Electric Co. for the provision of default service for the period November 2000 through April 2001, the average retail prices were as follows: residential customers, 6.37 cents per kWh; commercial customers, 6.39 cents per kWh; and industrial customers, 5.36 cents per kWh.<sup>34</sup> In contrast, he pointed out that Narragansett’s proposed SOS price of 5.401 cents for residential and commercial customers was

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<sup>30</sup> Narragansett Ex. 5: Hager Testimony, p. 3.

<sup>31</sup> Ibid., pp. 4-5.

<sup>32</sup> Ibid., p. 7.

<sup>33</sup> Ibid., pp. 7-8.

<sup>34</sup> Ibid., pp. 8-9.

comparable to the rate paid by industrial customers and remains significantly below the market price for energy.<sup>35</sup>

### III. DIVISION

On September 26, 2000, the Division presented the prefiled testimony of John Stutz, its consulting expert. Dr. Stutz favored Narragansett's proposals to raise the SOS Rate and adopt the SOAF to be charged to all customers for one year to recover the deferral for SOS and LRS costs.<sup>36</sup> However, he recommended that, to limit the possibility of additional deferrals, the Company should make a filing in December 2000 to report on fuel prices, power supply costs and the accrued deficit for September through November 2000. At that time an adjustment to the 5.401 cents Standard Offer price could be made effective January 2001.<sup>37</sup> Dr. Stutz concurred that the SOAF be charged to all customers because SOS provides customers with a "utility link service," while LRS protects customers from "complete dependence" on the market.<sup>38</sup> Furthermore, he agreed that the SOAF should be collected over a one-year, rather than a two-year period, to limit the build-up of the deferral balance.<sup>39</sup> Noting that Narragansett's current supply contracts are

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<sup>35</sup> Ibid., p. 9.

<sup>36</sup> Division Ex. 3, Stutz Testimony, pp. 4-5.

<sup>37</sup> Ibid., p. 8.

<sup>38</sup> Id.

<sup>39</sup> Ibid., p. 9.

affected by oil and gas prices, and that, therefore, the price of SOS could be volatile and uncertain,<sup>40</sup> Dr. Stutz recommended replacing the “NEP portion” of Narragansett’s standard offer supply with a contract containing less volatile fuel price provisions.<sup>41</sup>

#### V. TEC-RI

On September 26, 2000, the Energy Council of Rhode Island (“TEC-RI”) presented the prefiled testimony of Roger Buck, its Executive Director. Mr. Buck argued that the SOS Rate should not be increased until November 1, 2000 to coincide with the next LRS adjustment.<sup>42</sup> Mr. Buck suggested that if the SOS rate were set at 5.4 cents for October while the LRS Rate remained at 4.5 cents, customers might migrate from SOS to LRS, potentially to their detriment, because LRS might eventually become more expensive than SOS.<sup>43</sup> Mr. Buck stated that the SOS Rate should not be set for a six-month period due to the volatility in gas and oil prices.<sup>44</sup> Instead, he suggested that Narragansett set the SOS Rate for a three-month period, and be required to adjust the rate for any month in which the Company estimates its fuel index adjustment cost

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<sup>40</sup> Ibid., p. 10.

<sup>41</sup> Ibid., pp. 10-11.

<sup>42</sup> TEC-RI Ex. 2, Roger Buck’s Testimony, pp. 2-3.

<sup>43</sup> Ibid., p. 2.

<sup>44</sup> Ibid., p. 3.

and revenue recovery is under or over ten percent.<sup>45</sup> Mr. Buck stressed that the current deferrals of SOS and LRS should be treated as a transition cost and be recovered from all customers over a period of not less than five years.<sup>46</sup>

A further public hearing was held at the Commission's offices, 100 Orange Street, Providence, on September 28, 2000. The following appearances were entered:

FOR NARRAGANSETT:	Ronald T. Gerwatowski, Esq.
FOR THE DIVISION:	Elizabeth Kelleher-Dwyer Special Assistant Attorney General
FOR TEC-RI:	Andrew Newman, Esq.
FOR THE COMMISSION:	Steven Frias, Esq. Senior Legal Counsel

At the hearing, Mr. Zschokke testified on behalf of Narragansett that recovering the deferred SOS and LRS under-collection over a period of five to ten years, as requested by TEC-RI, would require long-term financing through the bond market at a rate of approximately 7.5 percent, instead of 5.65 percent which is Narragansett's current short term borrowing rate.<sup>47</sup> If the under-collection were recovered over one year, ratepayers would pay approximately \$450,000 in interest charges, while a nine-year financing plan would require approximately \$6.7

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<sup>45</sup> Ibid., pp. 3-4.

<sup>46</sup> Ibid., p. 4.

<sup>47</sup> T. 9/28/00, pp. 28-29.

million in interest charges.<sup>48</sup> In regards to TEC-RI's recommendation that the SOS Rate increase be postponed by one month, Mr. Zschokke testified that the rate would need to be increased to 5.35 cents on November 1, and further increased after three months to 5.713 cents on February 1, 2001, "in the middle of the winter."<sup>49</sup> A delay of one month in raising the SOS rate would also increase the SOS under-collection by \$2.4 million.<sup>50</sup> Mr. Zschokke observed that the total bill for a residential customer utilizing 500 kWh per month in December 1997 was \$61.92, while under the instant proposal, the comparable bill would be \$61.66.<sup>51</sup>

Under cross-examination by the Commission, Mr. Zschokke explained the rationale for collecting the SOAF from all of Narragansett's customers rather than only those customers on SOS and LRS. He explained that all customers were at one point on SOS, and thus had benefited from its existence.<sup>52</sup> Also, Mr. Zschokke noted that the availability of LRS to all customers provides a benefit to all customers.<sup>53</sup> Moreover, a fixed rather than fluctuating price for a longer rather than

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<sup>48</sup> Ibid., p. 30.

<sup>49</sup> Ibid., p. 31.

<sup>50</sup> Ibid., p. 35.

<sup>51</sup> Ibid., pp. 45-46; see also, Division Ex. 4.

<sup>52</sup> Ibid., pp. 46-47.

<sup>53</sup> Ibid., pp. 47-48.

shorter period of time would foster competition in Rhode Island.<sup>54</sup> Mr. Zschokke speculated that there is scant competition in the Rhode Island electricity market because Narragansett's SOS and LRS rates are below the rate which marketers can obtain power from the wholesale market.<sup>55</sup> With regard to the TEC-RI proposal of pricing flexibility if there is a dramatic increase in the cost of electricity, Mr. Zschokke stated that Narragansett could make adjustments after three months if the SOS Rate needed to be increased because the Company would accept such a recommendation from the Division.<sup>56</sup>

Narragansett also called Mr. Hager, who testified that Narragansett would consider withdrawing from its power supply contract with NEP in order to obtain a portion of the standard offer power supply under contracts with less volatile fuel price provisions.<sup>57</sup> Although approximately eighty to ninety percent of Narragansett's total load is taking SOS, Mr. Hager asserted that Narragansett derives "no benefit at all" for retaining such a large share of the electric market in Rhode Island.<sup>58</sup> Mr. Hager emphasized that Narragansett's SOS Rate of 5.4 cents per kWh is "well below" present market prices for energy.<sup>59</sup>

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<sup>54</sup> Ibid., pp. 52-53.

<sup>55</sup> Ibid., pp. 56-57.

<sup>56</sup> Ibid., pp. 34, 80-81.

<sup>57</sup> Ibid., p. 89.

<sup>58</sup> Ibid., p. 99-100.

The Division presented Dr. Stutz, who stated that in rate making a balance must be struck between tracking costs and maintaining a rate that is stable and predictable.<sup>60</sup> As a result, the SOS Rate should be reviewed at three-month intervals to determine if the costs have changed.<sup>61</sup> Although disapproving of sharp rate increases that would constitute rate shock, he believed a significant increase to the deferred balance of the SOS under-collection was a more significant problem.<sup>62</sup> Dr. Stutz noted that competition was introduced into the electric market to lower costs for consumers; instead prices have risen because of fuel costs and wholesale markets “which are not working.”<sup>63</sup>

TEC-RI presented Mr. Buck as its witness. Mr. Buck reiterated that, in his opinion, the SOS Rate should be set on a three-month basis in order to better reflect fuel costs.<sup>64</sup> He testified that, in general, TEC-RI is seeking an SOS Rate which is “a price that is close to market price” and predictable.<sup>65</sup> Mr. Buck conceded that paying for the deferred

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<sup>59</sup> Ibid., p. 113.

<sup>60</sup> Ibid., pp. 139-140.

<sup>61</sup> Ibid., p. 140.

<sup>62</sup> Ibid., p. 142.

<sup>63</sup> Ibid., pp. 152-153, 154-155.

<sup>64</sup> Ibid., p. 171.

<sup>65</sup> Ibid., pp. 173-174.

under-collection over five to ten years would result in larger interest payments by ratepayers.<sup>66</sup>

### COMMISSION FINDINGS

The URA was enacted in 1996 with the ultimate objective of lowering electricity costs for retail ratepayers. In recent months, however, due to increasing fuel costs under its long-term power supply contracts, Narragansett's cost of supplying SOS has increased dramatically. As a result, an ever-growing cost deferral (or revenue under-collection) is accumulating which will ultimately need to be recovered from ratepayers. There is no dispute that Narragansett's present SOS Rate is inadequate to recover its fuel costs. Consequently, the Commission is faced with two options, either: (1) allow the SOS Rate to remain at a below-cost price which will result in an ever-increasing under-recovery of the cost of providing SOS, or (2) significantly increase the price of SOS in order to recoup the increase in fuel costs. Neither alternative is appealing, but on balance, the Commission finds that it is preferable to increase the SOS rate in order to stay current with Narragansett's cost of supplying SOS. To permit the accumulation of an ever-increasing deferral by keeping the SOS rate below cost will ultimately cost Narragansett's ratepayers more because they will pay both the deferral and the accrued interest thereon. To set an artificially

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<sup>66</sup> Ibid., pp. 175-176.



low SOS rate that does not reflect the cost of electricity erects an impregnable barrier to emerging competition in the Rhode Island electricity market.

Three issues are presented if the Commission is to increase the SOS Rate to recoup Narragansett's higher fuel costs. The first is how quickly to increase the rate to avoid further increases in the deferral. Initially, the Commission was reluctant to approve merely an increase in the SOS Rate from 3.8 cents to 4.1 cents, effective September 1, 2000, without a comprehensive proposal by the Company to stop the build-up of the deferral and to eliminate the existing deferral. However, in light of the subsequent proposal by Narragansett to increase the SOS Rate to 5.4 cents and establish a SOAF to eliminate the deferral, the Commission finds it in the interest of ratepayers to approve the increase to 4.1 cents effective September 1, 2000 rather than delaying it with the predictable growth of both the deferral and the interest payments thereon.

The implementation date of the SOS Rate increase was also a concern. TEC-RI argued for the one-month delay to avoid inadvertently encouraging customers to migrate from SOS to LRS, since LRS would be lower than SOS for the month of October. The Commission finds this argument unpersuasive. It is likely that only the Company's very well-informed and sophisticated customers would be aware of this anomaly. Whether these sophisticated customers would leave SOS given the prospect that LRS rates are equally likely to increase dramatically in the

near future is an inadequate reason to defer the implementation of a prophylactic SOS increase for one month.

The second issue was how quickly to eliminate the existing deferral, and from whom to seek recovery of the SOAF. The Commission finds that reducing SOAF payments by spreading them over a longer period of five to ten years is not in the best interests of the ratepayers due to the increase in the amount of interest charges that would accrue on the deferred amount over this extended period. The Commission believes that the deferral should be paid as soon as possible, and deems a one-year repayment period reasonable. Consequently, the Commission finds that the implementation of a SOAF designed to recover the deferred under-collection over a one-year period is appropriate. Moreover, the Commission finds that it is in the best interest of ratepayers for the SOAF to be recovered from all of Narragansett's customers. In general, the Commission is reluctant to recover funds from a customer for an expense to which the customer did not contribute. In these circumstances, however, the Commission views the SOAF as a transition cost associated with the move to a competitive market. Also, it is undeniable that all of Narragansett's customers were on SOS at one point in time, and that all Narragansett's customers have benefited and will continue to benefit from having LRS as a safety net. Although not all of Narragansett's customers may have contributed to the deferred under-

collection of SOS and LRS revenues, the existence of these services is of benefit to all.

The final issue is how frequently to set the SOS Rate. Narragansett's original proposal was to set the rate for a six-month period. The Division and TEC-RI raised concerns regarding this period, suggesting instead that the SOS Rate be reviewed in three months. The Commission's objective is to help foster competition in the electricity market as directed by the URA. It is the Commission's understanding that the six-month period of time set for the SOS Rate will allow competitors to better market electricity to consumers. On the other hand, in this time of dramatically escalating fuel prices, setting an SOS Rate which properly recoups all fuel costs over six months could be impracticable. Thus, the Commission directs Narragansett to review whether fuel costs have substantially increased or decreased, prior to the conclusion of the initial three-month interval. If there has been a substantial change in fuel costs, Narragansett is directed to file a new SOS Rate by December 1, 2000 which properly reflects the costs associated with Narragansett's wholesale standard offer supply contracts. To delay a rate change for six months in the face of a dramatic increase in Narragansett's fuel costs would only result in the creation of a new deferral.

Like most of Rhode Island's ratepayers, the Commission is disappointed that the lower electric bills envisioned by the URA have not

materialized. It is clear that the recent dramatic increase in Narragansett's cost of supplying SOS is driven by the significant increase in fuel costs. Nonetheless, the price of fuel is not regulated by this Commission. However, it is worth observing that in December 1997, the average Narragansett residential customer was paying slightly *more* than the rate which will apply once the SOS Rate increases to 5.401 cents on October 1, 2000.

Accordingly, it is

(16635) ORDERED:

1. The Company's proposed retail Standard Offer Service Rate of 4.5 cents per kWh is approved, for effect on and after September 1, 2000.
2. The Company's proposed retail Standard Offer Service Rate of 5.401 cents per kWh is approved, for effect on and after October 1, 2000.
3. The Company's proposed Standard Offer Adjustment Factor of 0.232 cents per kWh, to be assessed on all of Narragansett Electric Company's customers for a one-year period, is approved for effect on and after October 1, 2000.
4. On or before December 1, 2000, the Company shall file with the Commission a revised Standard Offer Service Rate which properly reflects any substantial change in the fuel costs associated with the Company's wholesale standard offer supply contracts.
5. The Company shall comply with all other findings and instructions as contained in this Report and Order.

EFFECTIVE AT PROVIDENCE, RHODE ISLAND, PURSUANT TO  
OPEN MEETING DECISIONS ON SEPTEMBER 1 AND SEPTEMBER 29,  
2000. WRITTEN ORDER ISSUED JUNE 13, 2001.

PUBLIC UTILITIES COMMISSION

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Elia Germani, Chairman

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Kate F. Racine, Commissioner

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Brenda K. Gaynor, Commissioner